

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 6, 2016

To: The Commission
(Meeting of April 7, 2016)

From: Hazel Miranda, Director
Office of Governmental Affairs (OGA) – Sacramento

Subject: **SB 1298 (Hertzberg) – Electrical restructuring: financing orders.
As introduced: February 19, 2016**

RECOMMENDED POSITION: SUPPORT

SUMMARY OF BILL

Would extend the authorization for issuance of financing orders from December 31, 2016 to December 31, 2017.

CURRENT LAW

Existing law relative to restructuring of the electrical industry authorizes an electrical corporation to apply to the California Public Utilities Commission for a determination that certain transition costs may be recovered through fixed transition amounts, which would constitute transition property and provides, until December 31, 2016, for the issuance of financing orders and provides for the issuance of rate reduction bonds to be paid out of rates.

AUTHOR'S PURPOSE

To extend the statutory authority for the CPUC to issue financing orders for electric utilities to refinancing or issue bonds to recover in rates the cost for electricity restructuring bonds.

DIVISION ANALYSIS

The CPUC has in the last few years authorized re-financing of Electric Power Fund bonds as interest rates went down and it was in the interest of the ratepayers to refinance at a lower rate. Arguably the CPUC could do this going forward given the earlier CPUC authorization to permit this activity if rates go down, but extending the sunset precludes arguments to the counter. In short extending this date helps to protect ratepayers.

SAFETY IMPACT

No direct safety impact.

RELIABILITY IMPACT

Outside the scope of this analysis.

RATEPAYER IMPACT

Bond costs are currently recovered from ratepayers and will continue to be recovered until they expire in Fiscal Year 2022. Extending this sunset ensures that bonds can be refinanced when rates go down, which benefits ratepayers.

FISCAL IMPACT

No CPUC fiscal impact.

ECONOMIC IMPACT

Potentially helps to stabilize the private electricity market in California by ensuring that electric utilities can recover bond costs from ratepayers if bonds are refinanced.

LEGISLATIVE HISTORY

SB 697 (Hertzberg, Statutes 2015) extended the bond authority sunset.

SB 38 (Padilla, vetoed 2014) would have repealed or modified several sections of the Public Utilities Code which were added in 1996 as part of statutes enacted to deregulate electricity.

SB 1195 (Padilla, Statutes 2014) was chaptered with different subject matter. An earlier version of the bill included the provisions of SB 38.

PROGRAM BACKGROUND

Summaries of the current bonds in the Department of Water Resources Electric Power Fund are below.¹

¹ From the Department of Water Resources Electric Power Fund Financial Statements (Dec 2015).

Long-Term Debt

The following activity occurred in the long-term debt accounts during the three months ended December 31, 2015 (in millions)

	Revenue	Unamortized	Total
Balance, June 30, 2015	\$ 5,278	\$ 353	\$ 5,631
Amortization	-	(42)	(42)
Balance, December 31, 2015	5,278	311	5,589
Less current portion	669	75	744
	<u>\$ 4,609</u>	<u>\$ 236</u>	<u>\$ 4,845</u>

Long term debt consists of the following at December 31, 2015, respectively (in millions):

Series	Rates	Fiscal Year of Final maturity	Fiscal Year of First Call Date	Amount Outstanding 2015	Current Portion
F	Fixed (4.38-5.00%)	2022	2018	\$ 348	\$ -
G	Fixed (4.35-5.00%)	2018	Non-callable	173	98
H	Fixed (3.75-5.00%)	2022	2018	488	-
K	Fixed (4.00-5.00%)	2018	Non-callable	279	-
L	Fixed (2.50-5.00%)	2022	2020	1,841	177
M	Fixed (2.00-5.00%)	2020	Non-callable	617	394
N	Fixed (2.00-5.00%)	2021	Non-callable	766	-
O	Fixed (2.00-5.00%)	2022	Non-callable	766	-
				<u>5,278</u>	<u>669</u>
Plus unamortized bond premium				<u>311</u>	<u>75</u>
				<u>\$ 5,589</u>	<u>\$ 744</u>

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION

Extending this sunset stabilizes the market and ensures ongoing cost recovery.

SUMMARY OF SUGGESTED AMENDMENTS

May consider extending the sunset until all bonds expire at the end of Fiscal Year 2022-23.

STATUS

March 3, 2016: Referred to Senate Committee on Energy, Utilities, and Communications

March 30, 2016: Set for hearing on April 19, 2016

SUPPORT/OPPOSITION

None on file.

STAFF CONTACTS:

Hazel Miranda, Director

Nick Zanjani, Senior Legislative Liaison

Michael Minkus, Senior Legislative Liaison

Lori Misicka, Legislative Liaison

Ivy Walker, Legislative Liaison

Hazel.Miranda@cpuc.ca.gov

Nick.Zanjani@cpuc.ca.gov

Michael.Minkus@cpuc.ca.gov

Lori.Misicka@cpuc.ca.gov

Ivy.Walker@cpuc.ca.gov

BILL LANGUAGE

SB 1298 (Hertzberg), as introduced February 19, 2016, Electrical restructuring:
financing orders.

http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160SB1298